

Message Text

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ACTION AF-10

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C O N F I D E N T I A L ANTANANARIVO 1308

E.O. 11652: GDS
TAGS: BDIS, MA, US
SUBJECT: EXPROPRIATION OF OIL FIRMS

REF: STATE 167744

1. SUMMARY: MINISTER OF ECONOMY AND COMMERCE EXPECTS
TO START SERIOUS CONSIDERATION OF COMPENSATION TO NATION-
ALIZED OIL FIRMS IN TWO OR THREE MONTHS. END SUMMARY.

2. MINISTER, A FORMER OFFICER OF SHELL MADAGASCAR,
RECEIVED ME ON JULY 12 FOLLOWING MY REQUEST OF JULY 5
AND SAID THAT HE THOUGHT HE NOW HAD GATHERED ALL THE
NECESSARY ELEMENTS TO START CONSIDERATION OF THE CLAIMS
FOR COMPENSATION OF THE NATIONALIZED OIL COMPANIES,
INCLUDING THE TWO AMERICAN FIRMS AFFECTED. BUT HE
AND HIS STAFF STILL NEEDED TWO OR THREE MONTHS TO WRAP
UP THE QUESTION OF COMPENSATION TO NATIONALIZED BANKS
AND INSURANCE COMPANIES. AT THAT TIME THEY COULD
CONSIDER OTHER CLAIMS AND HE THOUGHT THE OIL COMPANIES
WOULD BE THE NEXT CATEGORY TO BE CONSIDERED.

3. MINISTER SAID SINGLE BARGAINING AGENT FOR OIL
COMPANIES HAD BEEN MALAGASY IDEA BUT THAT SOME OF THE
COMPANIES HAD FINALLY TURNED AGAINST IT. HE COULD
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UNDERSTAND WHY, FOR THE CLAIMS OF THE IARIOUS COMPANIES
HAD INPORTANT DIFFERENCES, EVEN THOSE BETWEEN THE TWO
AMERICAN COMPANIES. HE SAID THE EUROPEAN COMPANIES
SOMETIMES CONTACTED HIM WHEN HE WAS IN EUROPE TO
ELABORATE ON THEIR CLAIMS BUT THAT SERIOUS NEGOTIATIONS
WERE GOING ON ONLY WITH AGIP, WITH WHICH THE DRM HAD
A SERIOUS LEGAL DISPUTE IN ADDITION TO THE COMPENSATION

CLAIM. HE WANTED TO SEE THE PROBLEM HANDLED PROFESSIONALLY AND IN NON-DISCRIMINATORY FASHION. IN REPLY TO MY QUESTION HE SAID HE DID NOT KNOW WHETHER ALL CLAIMS WOULD BE HANDLED TOGETHER OR IN SEQUENCE AND SAID IT MIGHT BE DECIDED TO DRAW STRAWS TO SEE WHO WOULD GET FIRST ATTENTION.

4. THE MINISTER EXPLAINED THAT THE PROCEDURE FOR HANDLING COMPENSATION CLAIMS WAS FOR HIS MINISTRY TO FORMULATE VARIOUS OPTIONS AND THEN REFER THEM TO THE SUPREME REVOLUTIONARY COUNCIL (SRC) FOR DECISION. HE THOUGHT HIS OFFICIALS HAD ALREADY ACQUIRED A CERTAIN EXPERIENCE IN HANDLING THESE CLAIMS AND THAT FUTURE ONES COULD BE HANDLED MORE EASILY THAN THE FIRST ONES.

5. I REMINDED MINISTER OF THE SANCTIONS CONTAINED IN U.S. LAWS ON SUBJECT OF COMPENSATION, PROVIDING HIM WITH A COPY OF AN AIDE MEMOIRE ON SUBJECT WE HAD FIRST GIVEN FOREIGN MINISTRY IN 1976. MINISTER SEEMED AWARE OF THIS ASPECT OF U.S. POLICY AND ALSO UNDERSTOOD THE NECESSITY OF KEEPING A CERTAIN MOMENTUM GOING. WHEN I TOLD HIM THAT I WAS ALWAYS HOPEFUL WE WOULD EVENTUALLY NORMALIZE OUR RELATIONS AND THAT I WOULD REGRET SEEING NORMALIZATION BLOCKED BY THIS ISSUE, HE REPLIED THAT HE WANTED PROBLEM EQUITABLY SETTLED NOT ONLY AS A QUESTION OF PRINCIPLE AND GOOD CONFIDENTIAL

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INTERNATIONAL RELATIONS, BUT ALSO PERSONALLY, AS FORMER OIL COMPANY EXECUTIVE.

6. COMMENT: THE MINISTER WAS OBVIOUSLY PUTTING THE BEST FACE ON THINGS AND I THINK, BASED ON MY EXPERIENCE HERE, IT WILL PROBABLY BE MORE THAN THE TWO OR THREE MONTHS CITED BEFORE THE OIL COMPANIES' CLAIMS COME UP FOR CONSIDERATION. HOWEVER, I BELIEVE THAT HE AT LEAST WOULD LIKE TO NEGOTIATE THIS MATTER IN GOOD FAITH. HE IS CONSCIOUS OF THE IMPORTANCE OF A GOOD CREDIT RATING, IN BUSINESS OR FOR GOVERNMENT, AND WOULD NOT TRY TO POSTPONE THIS MATTER INDEFINITELY OR DEAL WITH IT IN SUMMARY FASHION. WHAT SCR WILL TELL HIM TO DO IS ANOTHER THING. FRENCH COMMERCIAL ATTACHE IS AWAY FOR NOW BUT I WILL TRY TO GET A READING FROM HIM ON THE FRENCH BANK AND INSURANCE COMPANIES' EXPERIENCE WHICH MAY BE OF USE TO THE AMERICAN OIL COMPANIES. BARRETT

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